STATUS REPORT

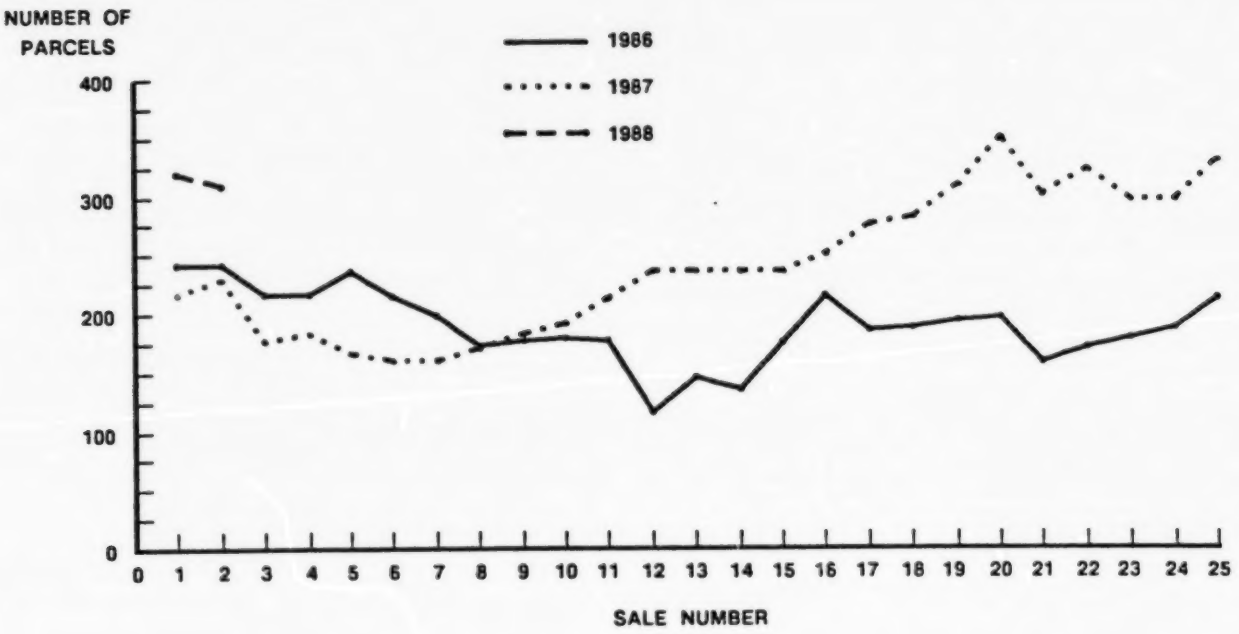
ALBERTA PETROLEUM INDUSTRY ACTIVITY AND OIL ECONOMICS

OCTOBER 1987
EDMONTON

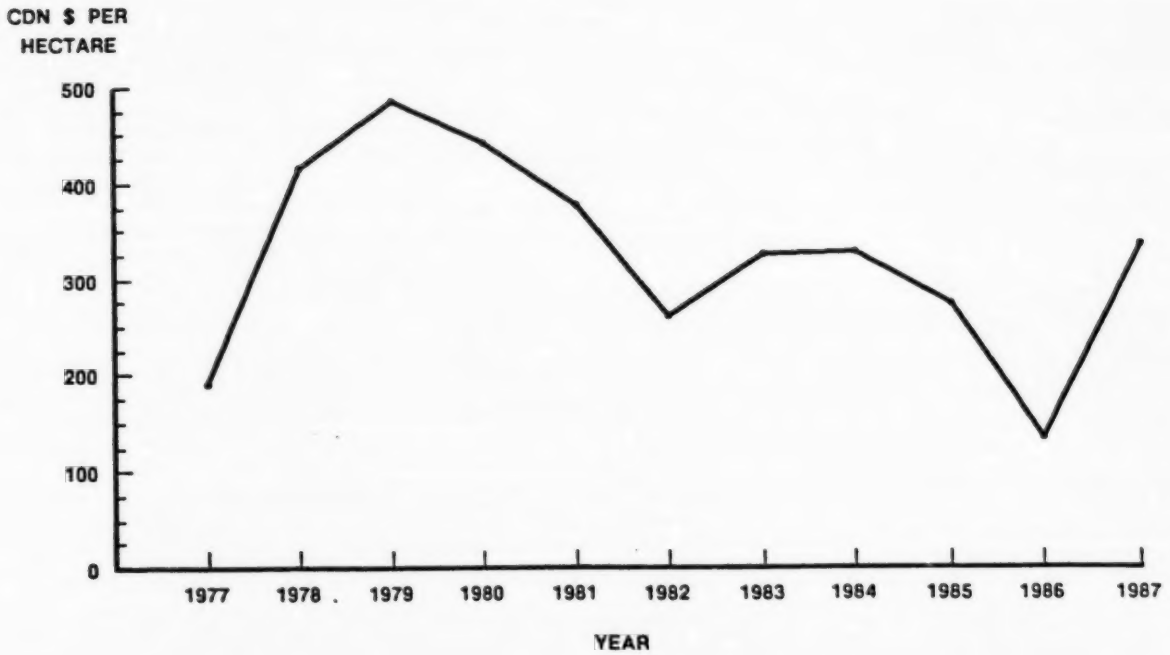
Alberta
ENERGY

Activity Report

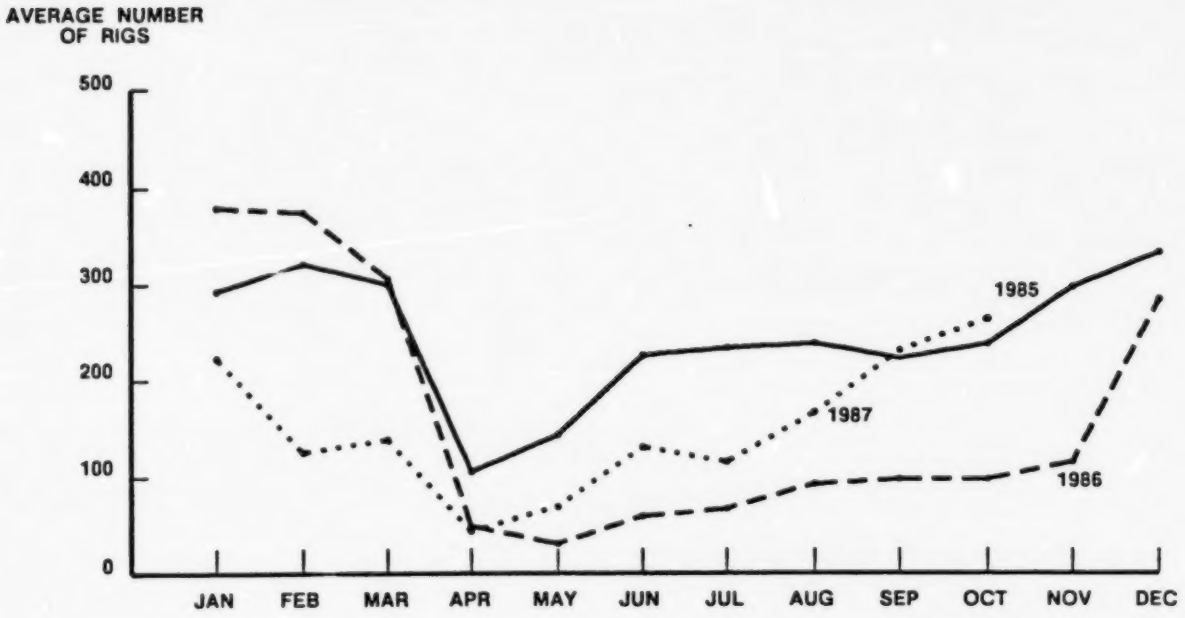
Oil and Gas Parcels Requested for Public Tender



Average Price per Hectare Received for Oil and Gas Parcels (First Nine Months, 10-Year Comparison)

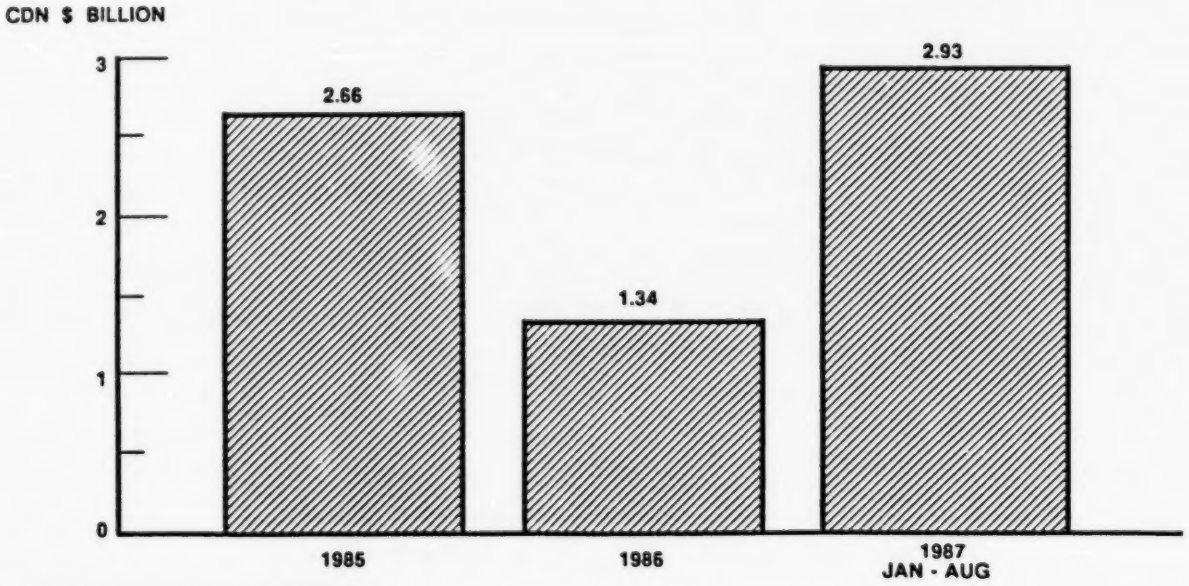


Rigs Drilling In Alberta



SOURCE: Canadian Association of Oilwell Drilling Contractors

Capital Raised By Oil And Gas Companies In Canada



SOURCE: Investment Dealers Association of Canada and Dept. of Energy

Changes in Federal & Provincial Oil/Gas Fiscal Systems 1985 - Present

March 1985

- Western Accord
  - Crude oil prices and exports deregulated
  - PIP grants to terminate April 1986
  - PGRT eliminated on new production as of April 1, 1985; to be phased out on existing production by 1989
  - Federal government eliminates
    - natural gas and gas liquids tax
    - incremental oil revenue tax
    - Canadian ownership special charge
    - Crude oil export charge
    - petroleum compensation charge

June 1985

- Alberta announces:

  Crude Oil Royalty Holiday Program (CORHP)

  Exploratory Gas Well Incentive Program (EGWIP)

  Deep Gas Royalty Holiday Incentive Program (DGRHP)

  Enhanced Alberta Royalty Tax Credit (ARTC) from 50%, maximum $2 million to 75%, maximum $3 million per company

  Scheduled reductions in marginal royalty rates for oil and gas

October 1985

- Natural Gas Pricing and Markets Agreement (Producing provinces/Federal government)

April 1986

- Alberta announces:

  Exploratory Drilling Assistance Program (EDAP)

  and enhances Alberta Royalty Tax Credit (ARTC) from 75%, maximum $3 million to 95%, maximum $3 million per company

- Federal government announces increase in PGRT exemption for small producers to $2 million

June 1986

- Alberta announces:

  Development Drilling Assistance Program (DDAP)

  Well Servicing Assistance Program (WSAP)

  Geophysical Assistance Program (GAP)

  (all expired on December 31, 1986)

September 1986

- Federal government eliminates PGRT

October 1986

- Alberta announces:

  Crude Oil Royalty Holiday Program, with 5, 3 and 1-year holidays

  Accelerated reductions in marginal royalty rates for oil and gas

  Extension of 95% credit on ARTC to December 31, 1987

March 1987

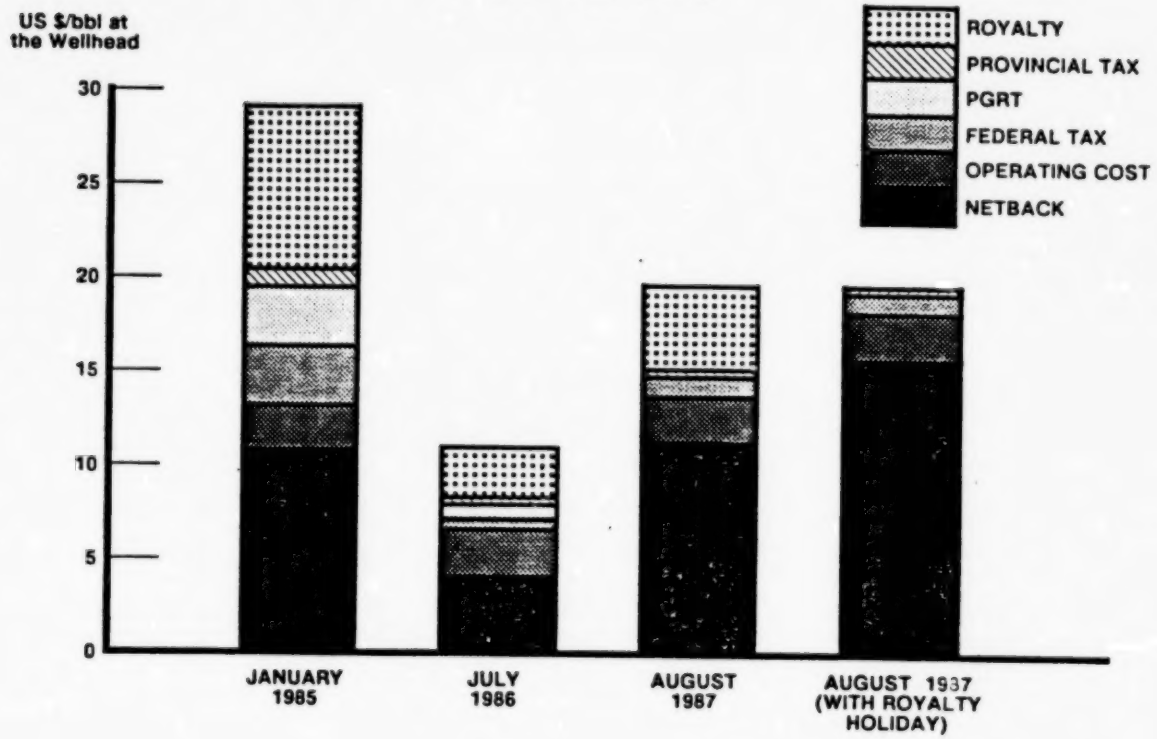
- Federal government announces Canadian Exploration and Development Incentives Program
- Alberta increases corporate tax rate from 11% to 15%

June 1987

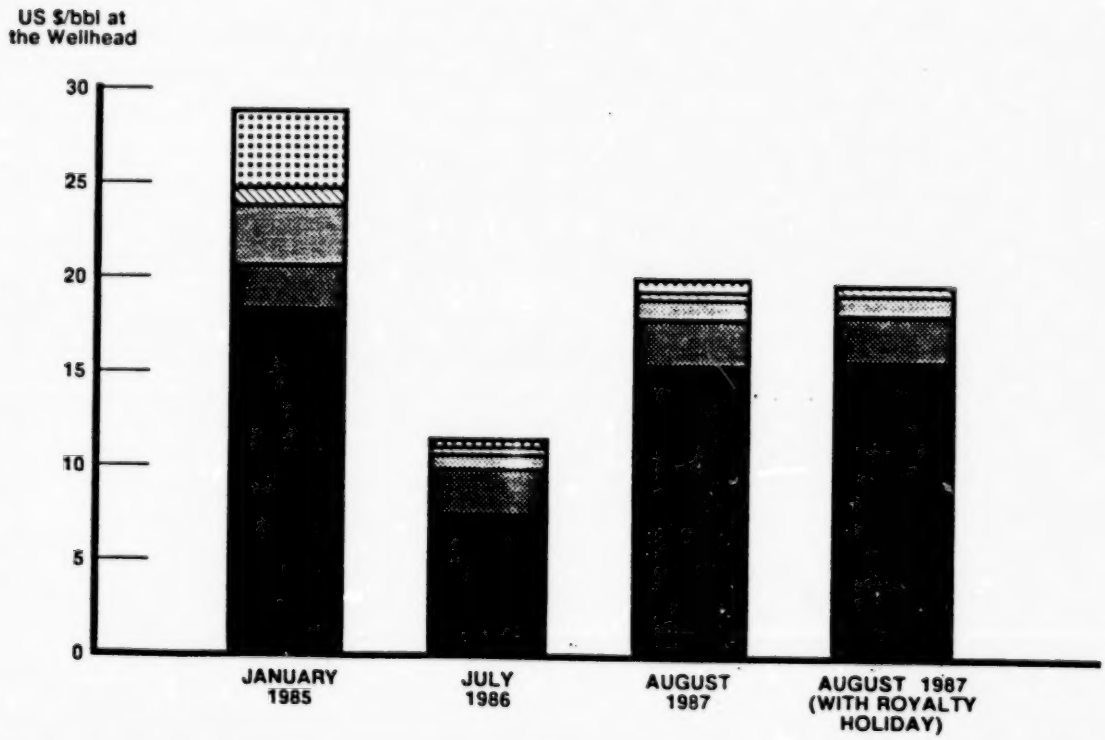
- Federal government announces tax reforms:
  - eliminates earned depletion
  - lowers corporate tax rates
  - adopts put-in-use rule for capital

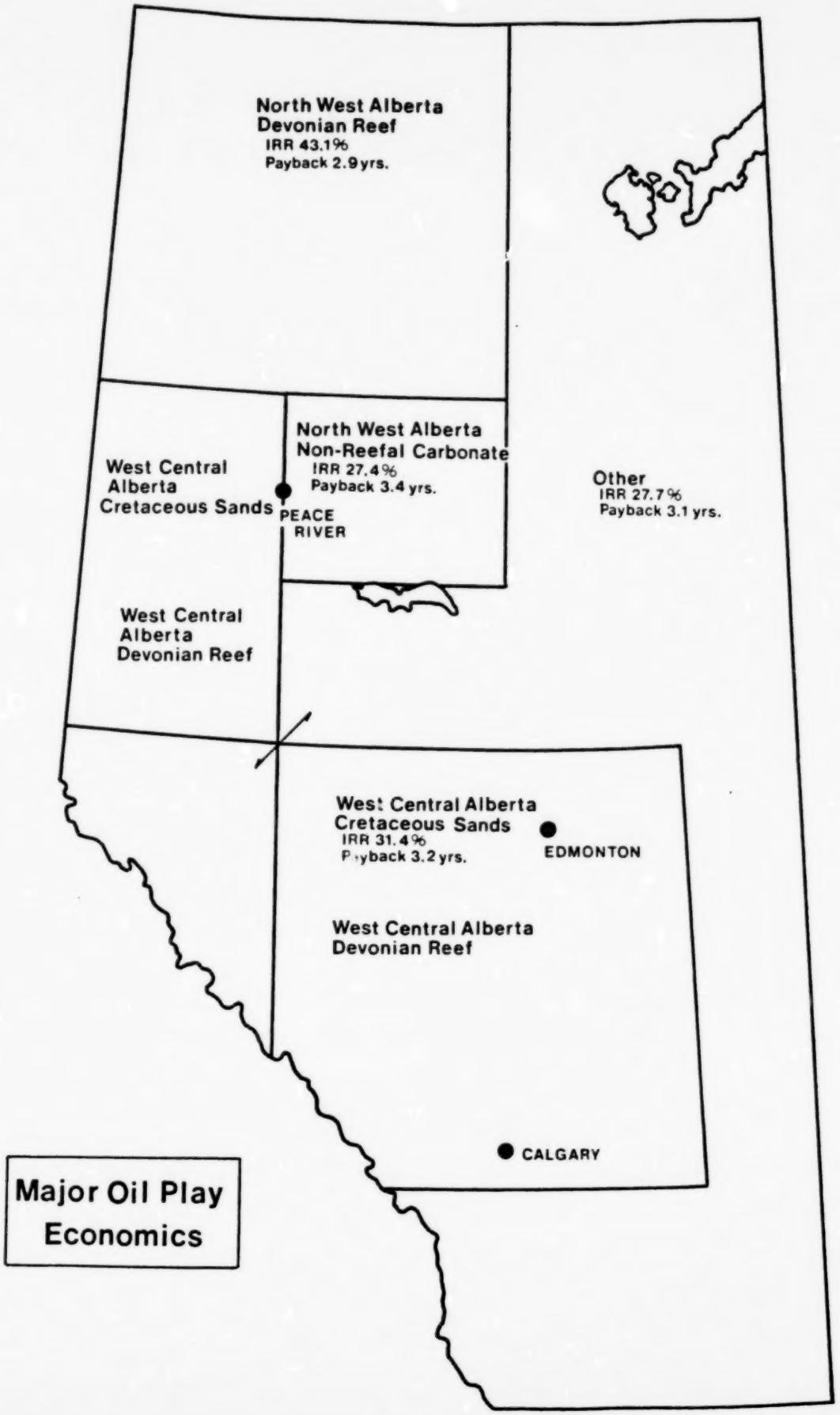
Alberta Crude Oil Producer Netbacks

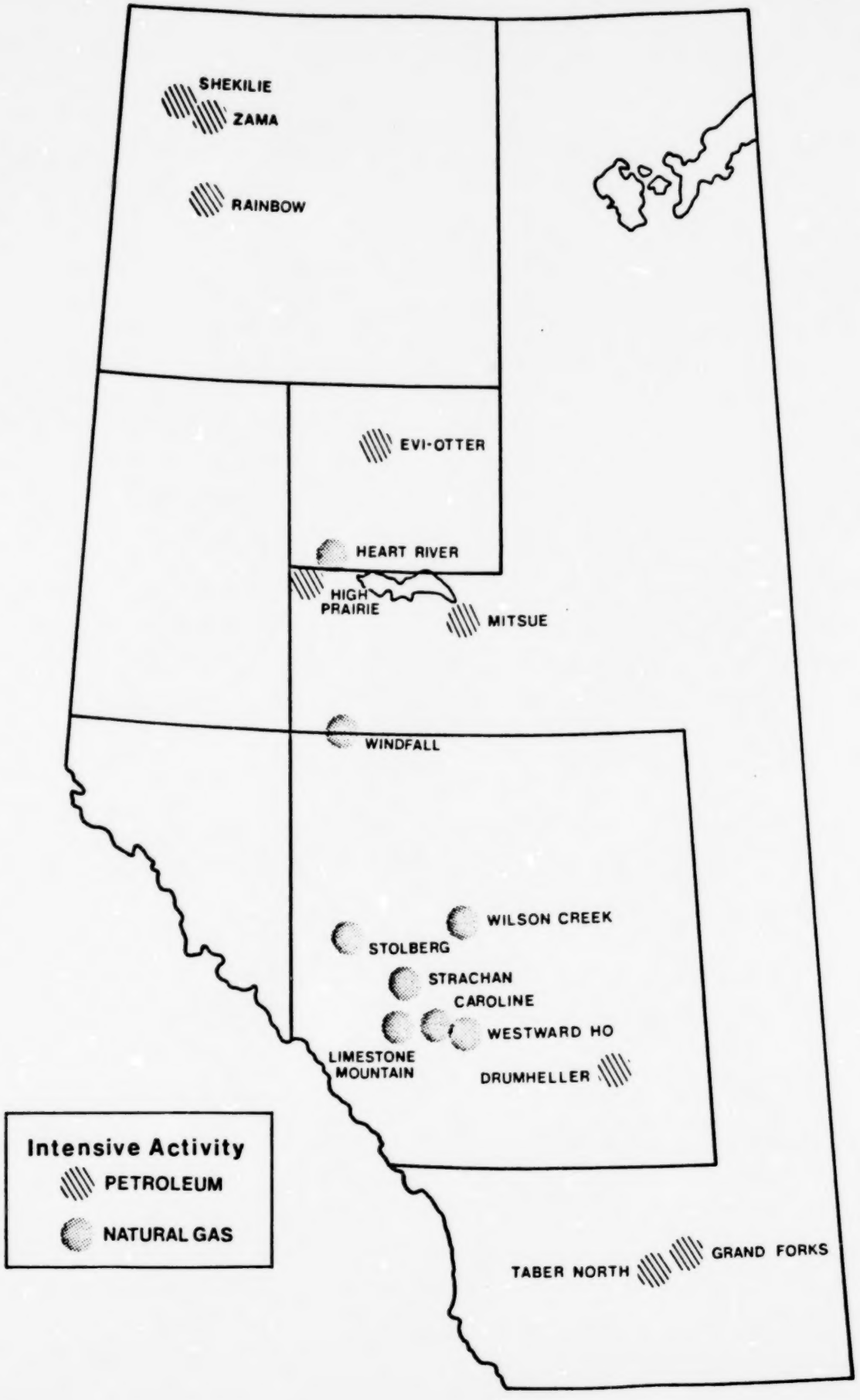
Large Company



Small Company

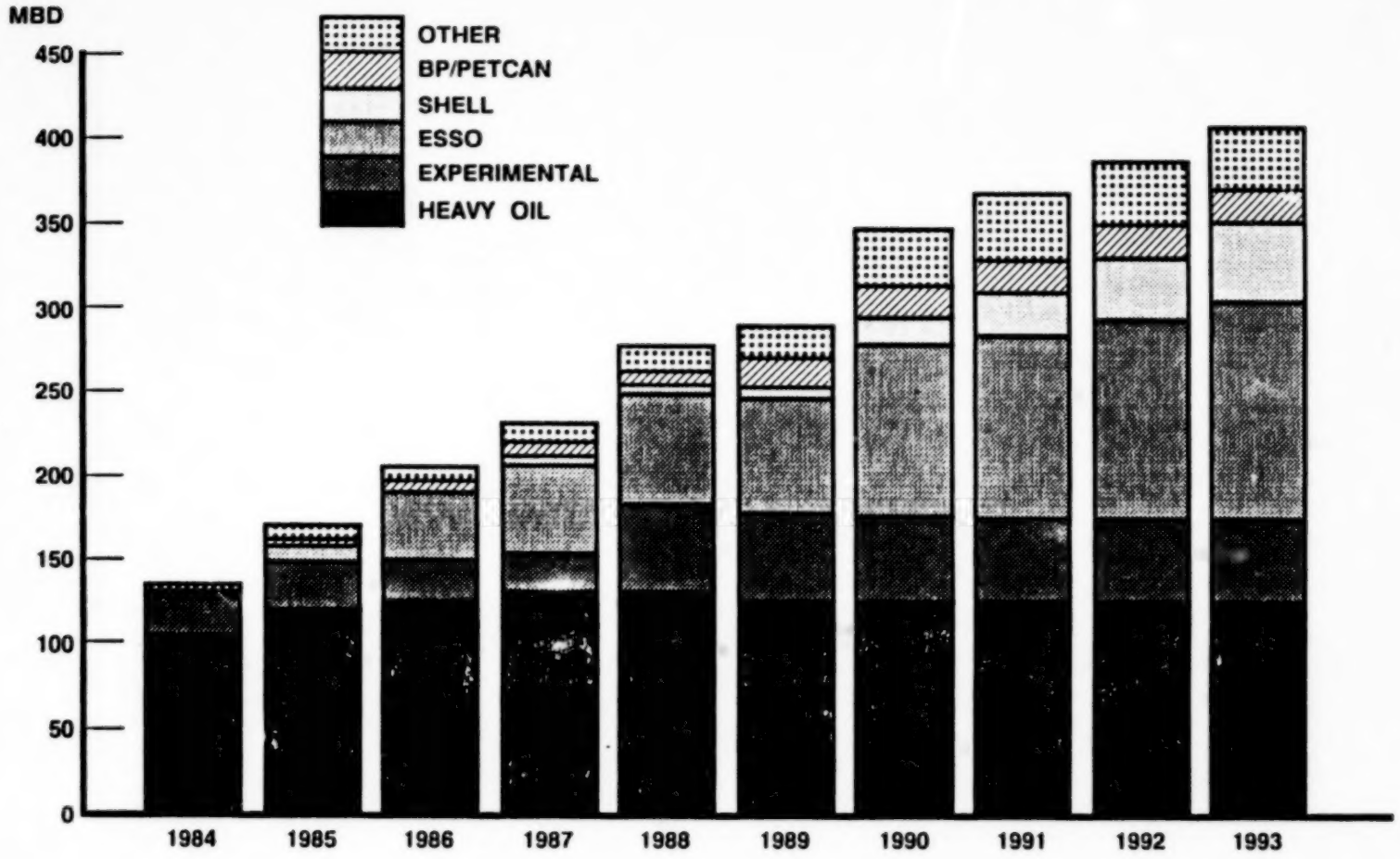



North West Alberta
Devonian Reef
IRR 43.1%
Payback 2.9 yrs.
North West Alberta
Non-Reefal Carbonate
IRR 27.4%
Payback 3.4 yrs.
West Central
Alberta
Cretaceous Sands
PEACE
RIVER
Other
IRR 27.7%
Payback 3.1 yrs.
West Central
Alberta
Devonian Reef
West Central Alberta
Cretaceous Sands
IRR 31.4%
Payback 3.2 yrs.
EDMONTON
West Central Alberta
Devonian Reef
CALGARY
Major Oil Play
Economics


SHEKILIE
ZAMA
RAINBOW
EVI-OTTER
HEART RIVER
HIGH PRAIRIE
MITSUE
WINDFALL
WILSON CREEK
STOLBERG
STRACHAN
CAROLINE
WESTWARD HO
LIMESTONE MOUNTAIN
DRUMHELLER
TABER NORTH
GRAND FORKS
Intensive Activity
PETROLEUM
NATURAL GAS

Heavy Oil & Insitu Bitumen Production

Existing Plants Plus Announced Expansions



Project Costs